

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Boston Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: June 30, 2020

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY21 (since the amount under the prior schedule was maintained in FY21) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 7.50% to 7.05% and an update to both the mortality assumption and the improvement projection scale.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb

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Funding Schedule 5

7.05% Investment Return Assumption

Appropriations Increase 8.85% per year with a Smaller Payment in 2027

Fully Funded in 2027

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of Unfunded Inactive Sheriff Liability	(4) Amortization of Remaining Unfunded Liability	(5) Actuarially Determined Contribution (ADC): (2) + (3) + (4)	(6) Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(7) Percent Increase in ADC over Prior Year
2021	\$82,330,066	\$2,898,233	\$250,303,397	\$335,531,696	\$1,905,014,933	8.85%
2022	85,293,455	2,898,233	277,034,563	365,226,251	1,768,266,140	8.85%
2023	88,362,949	2,898,233	306,287,592	397,548,774	1,593,260,845	8.85%
2024	91,542,329	2,898,233	338,291,278	432,731,840	1,374,602,309	8.85%
2025	94,835,512	2,898,233	373,294,863	471,028,608	1,106,268,400	8.85%
2026	98,246,553	2,898,233	411,569,854	512,714,640	781,545,613	8.85%
2027	101,779,650	2,898,233	390,058,261	494,736,144	392,956,492	-3.51%
2028	105,439,153	0	0	105,439,153	0	-78.69%
2029	109,229,564	0	0	109,229,564	0	3.59%
2030	113,155,544	0	0	113,155,544	0	3.59%

Notes:

- Fiscal 2021 Actuarially Determined Contribution set to budgeted amount.
- Actuarially Determined Contributions are assumed to be paid on July 1.
- Item (2) reflects 3.25% growth in payroll as well as a 0.15% adjustment to the total normal cost to reflect the effects of mortality improvement due to the generational mortality assumption.
- Projected normal cost does not reflect the future impact of pension reform for new hires.
- Projected unfunded actuarial accrued liability does not reflect deferred investment gains and losses.